

Forwarded on:

MAR 4 2005

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Leslye Corsiglia  
Director of Housing

**SUBJECT:** SEE BELOW

**DATE:** March 3, 2005

Approved

Date

3/4/05

## INFORMATION

**SUBJECT: BRIEFING PACKET RELATED TO HOUSING ISSUES FOR THE  
NATIONAL LEAGUE OF CITIES CONGRESSIONAL MEETINGS**

## BACKGROUND

The following packet was developed to support our Mayor and City Council while in Washington D.C., and our lobbying team of Patton Boggs. The attached information was developed to help communicate the City's positions related to a number key housing issues.

## ANALYSIS

The packet contains a fact sheet on San José achievements related to affordable housing developments and a piece highlighting San José's plans to carry out its 10-Year Strategic Plan to end homelessness. The packet also includes a briefing piece that can be used to convey San José's top housing-related concerns. This material can be left with members of Congress, their staff, or with key officials in Washington, D.C.

## COORDINATION

The Housing Department coordinated the development of this material with the Intergovernmental Relation's Director in the City Manager's Office.

LESEYE CORSIGLIA  
Director of Housing

# San José

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## leadership in AFFORDABLE housing

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The rapid growth of San José has brought the city's population to nearly one million, making it the eleventh largest city in the nation. With such rapid growth, affordable housing has become increasingly scarce, driving up rents and median home prices, and turning San José into one of the most expensive housing markets in the nation. ♦ The City of San José has responded aggressively to meet the need for affordable housing. Over the last five years, the City has outlined a number of ambitious goals and a plan of action to meet the many challenges to providing quality, attractive affordable housing.

SINCE 1988, approximately 15,000 units of affordable housing have been produced in the City of San José, with over 6,080 units completed in the past five years. Using local redevelopment funds and a combination of other government funding, the City has provided more than \$625 million in loans and grants to affordable housing developers and leveraged more than \$1.9 billion in private and public capital. Simply put, the City has been successful in leveraging approximately \$3.80 for every one dollar of City funds spent on housing.

In addition to providing affordable rental housing opportunities, the City has assisted more than 5,000 homeowners with rehabilitation loans and grants and more than 1,440 new homebuyers with second mortgage assistance, including over 500 public school teachers.



*Housing*

## JOB GROWTH and COMMUNITY Benefits

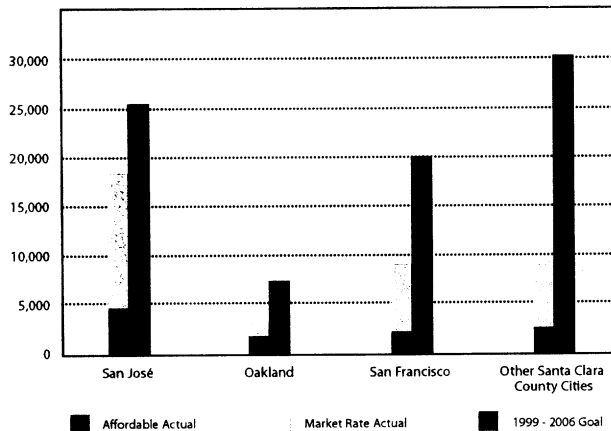
Affordable housing increases city revenues and creates jobs. It is estimated that over the last five years, with the development of 6,080 affordable units, 6,672 jobs have been produced, providing an estimated \$322.8 million in local incomes for our workers. In the last five years, affordable housing has represented approximately 32% of all multifamily construction in San José.



## SOCIAL and ECONOMIC Benefits

The Social benefits of affordable housing include more financially and socially stable families; a reduction of homeless individuals and families; and children who are ready to learn and who perform better in school. Economic benefits include increasing the labor market; increased business-to-business transactions; and the increased purchasing power for low-income families to spend in the local economy, generating more local tax dollars.

### San José Leads the Bay Area in Reaching Housing Need Goals



*Housing needs versus actual housing units built. The seven year goals are established by the Association of Bay Area Government (ABAG).*

San José exceeds other Bay Area cities in the development of market rate and affordable housing. The City is on target to meet/exceed its seven year goal.

## ELIGIBILITY

### 2004 Income Breakdown for a Family of Four

Median		\$105,500
Low-Income	80% or less	\$ 84,900
Very Low-Income	50% or less	\$ 52,250
Extremely Low-Income	30% or less	\$ 31,350

*Eligibility for affordable housing is based on income limits per household size as determined by the U.S. Department of Housing and Urban Development Department (HUD). Income limits for Santa Clara County are based on a median income of \$105,500 for a family of four and are modified annually.*

According to the federal government, housing is considered "affordable" if a family does not spend more than 30% of its' monthly household income for rent and utilities.



## **Federal Legislative Priorities for Affordable Housing**



### **San José Federal Housing Strategy**

While the City of San José is a vibrant and successful community, many of our City's residents, especially those with low-incomes, cannot afford decent, safe and appropriate housing. The median priced single-family home for the Santa Clara County region (as reported January 2005) was \$664,000. REALFACTS reported that the average rent in fourth quarter of 2004 for a two-bedroom apartment was above \$1,170. The City of San José has a strong commitment to provide a variety of housing choices for our 926,000 residents and has been a leader in the production of affordable housing. Notwithstanding the City's strong commitment, it has been a challenge to obtain sufficient federal funding.

The Housing Department works closely with our Washington D.C. lobbyist and national organizations to ensure that members of Congress understand San José's housing needs. The following is an overview of some to the federal issues of concern to San José.

#### **Federal Funding Entitlement**

***Message: Federal resources for community development and housing are becoming scarcer every year. Our federal partners should help ensure local governments have the tools to help build better communities for our citizens by protecting funding like the Community Development Block Grant (CDBG) Program. Congress should oppose any cuts or adverse changes to these critical programs.***

San José seeks to protect the federal funding provided through the CDBG, HOME, HOPWA, and ESG programs and hopes to increase this funding to more adequately meet the needs of low-income residents who live in high cost areas in the Pacific West.

President Bush sent his FY06 budget proposal to Congress on February 7, 2005. Included in this proposal is an action to eliminate the Community Development Block Grant (CDBG) Program, several CDBG set-asides, the National Community Development Initiative, Section 108 loan guarantees, Brownfields, Enterprise Zone/Enterprise Communities, and HUD's Office of Rural Housing and Economic Development. These, along with 11 other programs from the Departments of Agriculture, Health and Human Services, and Commerce will be replaced by a new program known as the "Strengthening America's Communities (SAC) initiative," which will be housed in the Department of Commerce. Separately, these programs have a combined FY05 appropriation of \$5.31 billion; the FY06 request for SAC is \$3.71 billion.

Although it is unknown what the specific reduction would be to CDBG, estimates have suggested that the reduction could be 50% or greater. Under this scenario San José would stand to lose over \$5 million for housing and community development purposes. The City

opposes the President's budget proposal, as it would not only significantly reduce funding, but also because it moves the CDBG Program from the purview of the US Housing and Urban Development Department to the Department of Commerce. This would seriously diminish the focus and emphasis that the CDBG Program has historically had on housing development.

Additionally, there are significant concerns that if it does not eliminate the CDBG Program altogether, Congress may consider changing the formula for which jurisdictions receive funding priority to a system based on poverty. These formula allocation changes would potentially tie CDBG funding to the rate of poverty in a jurisdiction—using federal poverty levels. Initial reports are that funding would be given to communities with 10% or greater poverty levels. Because the federal poverty level is based on national income levels, and San José is in a high-income and high-cost county, only 8% of residents in San José fell into this category in 2002. In San Jose, households earning less than the federal poverty level are at 18% of area median income. Although area median income for a family of four stands at \$105,500—one of the highest in the nation—more than 93,000 households, or 34% of San Jose residents, are considered low-income. The City encourages Congress to consider carefully the significant, adverse impacts of these proposals on high-cost, urban areas.

### Ending Homelessness in Ten Years

***Message: It is imperative that federal agencies partner with local jurisdictions and provide funding for the implementation of strategies that end chronic homelessness.***

In 2003, the federal government adopted a goal to eliminate chronic homelessness within ten years and called upon the nation's cities to adopt plans to make this goal a reality. The National Alliance to End Homelessness, the federal government, the Interagency Council on Homelessness, and the U.S. Conference of Mayors have all embraced this objective. On September 23, 2003, the San José City Council adopted a resolution approving a Homeless Strategy for the City of San José. In approving the Plan, the City joined dozens of other communities throughout the nation seeking to revise the current approach to addressing homelessness.

The Homeless Strategy, adopted by the Mayor and City Council, outlines the extent of the homeless problem in San José, describes the many programs and policies the City has adopted over the years, and lays out a series of policies and actions designed to eliminate chronic homelessness in San José within ten years. A recent homeless count conducted in the Santa Clara County finds that in San José, there are currently over 4,500 homeless individuals. Of this figure, there are over 370 family units living without shelter. The federal government has made available \$8.6 million, countywide, to address this problem, however, much more is needed to effectively eradicate homelessness in our community. This is an extreme change and one that requires a partnership with the federal government, including sufficient resources to carry out this enormous task.

### Protect the Section 8 Housing Choice Voucher Program

**Message:** *The Section 8 Voucher program is one of the only federal housing programs that helps very-low and extremely-low income individuals and families. This is a key program to help keep families from homelessness, especially in such high-cost areas like the Silicon Valley. It is important that the federal government maintain its commitment to our community's low-income residents and continue to adequately fund this vital program.*

Section 8 Vouchers are one of the major federal programs intended to bridge the gap between the cost of housing and the incomes of low wage earners and people on limited fixed incomes. Housing vouchers are portable, meaning tenants can use them to move nearly anywhere in the country.

In recent years, the federal government has sought ways to reduce spending for this important program. The City of San José strongly objects to several steps that have been taken in recent years to cut back and change the formula allocations for this important program. The Section 8 program is one of the only ways to provide housing to those most in need. This program helps ensure that those most vulnerable to the housing market can have a place to live. It provides a subsidy that cannot be addressed with local government's limited funds.

### Support for Increasing Conforming Loan Limits in California

**Message:** *Given the imbalanced federal funding formulas, legislation to extend high-cost area status to California is necessary in expensive areas like San José in order to provide decent affordable housing to those residents most in need.*

San José supports legislation that would give buyers in California and other expensive housing markets greater access to low-interest loans by extending so-called "high-cost area" status to additional markets. Only legislated changes to Freddie Mac's and Fannie Mae's charters can accomplish that. The charter currently extends "high-cost area" status only to Alaska, Guam, Hawaii and the Virgin Islands. This designation gives those areas conforming loan amounts 50% higher than elsewhere. Currently, the loan limit amount for California is \$333,700, which is not even close to the median home price in San José of \$635,000. Therefore, the current loan amounts are not feasible for the majority of homes in San José. By revising the loan limits to \$500,550, homebuyers would enjoy more choices and lower interest rate loans.

### Support for the Repeal of the 10-Year Rule

**Message:** *There is a critical need in San José for homeownership opportunities for low-income buyers. By repealing the 10-Year Rule under the tax-exempt bonds, housing finance agencies will be able to assist more low-income first-time homebuyers. By deleting this rule we will be able to assist more families to achieve affordable homeownership.*

Under current law, local and state housing finance agencies issue tax-exempt Mortgage Revenue Bonds (MRBs) to benefit low-and moderate-income first-time homebuyers by providing first mortgage assistance at a below-market interest rates. Some of those assisted prepay their mortgages as a result of moving or refinancing. If such prepayments are received within ten years of the date of the bond's issuance, agencies use these funds to make additional loans to income-qualified, first-time homebuyers. However, under a rule enacted in 1988, the so-called "Ten-Year Rule," if such prepayments are received ten years following the date of the bond 's issuance, agencies must use prepayments to redeem the bonds.

This law governing the mortgage revenue bond (MRB) program has the effect of significantly reducing the amount of funding available to state and local governments for first-time homebuyer mortgage programs. This rule hampers bond issuers in their efforts to refinance their bonds by means of conventional rollover techniques. Repeal of the 10-year rule could lead to thousands of new mortgages for low- and middle-income homebuyers.

### Create a National Housing Trust Fund

***Message: Due to the lack of funding from State and local sources, federal funding is key in helping target more dollars to those most in need in our community, especially those in the lowest income category.***

A Housing Trust Fund is a distinct fund established by any level of government or a nonprofit entity that dedicates a source of revenue to support the production and preservation of affordable housing.

Local municipalities near San José that have established housing trust funds include Cupertino, Berkeley, Menlo Park, and Palo Alto. The Silicon Valley Manufacturing Group has raised over \$20 million in donations to its housing trust fund as well. These funds demonstrate that when government makes a commitment to address critical housing needs, an on-going dedicated source of revenue provides strategic financing resources that leverage other public and private resources.

The City of San José supports the National Affordable Housing Trust Fund Act, which would establish the National Affordable Housing Trust Fund in the Treasury to promote the development, rehabilitation and preservation of affordable and safe low-income housing. This money will primarily be used for rental housing. Up to 25% of the funds could also be used for homeownership activities, so long as low-income people are served. The money can be used for both grants and loans. This type of funding will encourage and strengthen affordable housing efforts on a local level by providing new funding opportunities for both for-profit and nonprofit organizations.

SAN  
JOSE'S  
TEN  
YEAR  
HOMELESS  
STRATEGY



# seeing the NEED taking the LEAD

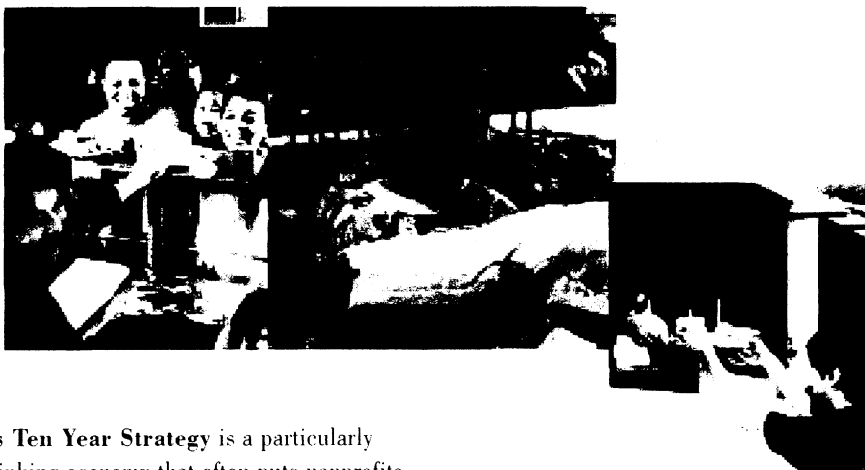
## the plan

THE CITY OF SAN JOSE'S VISION is to ensure that every person and every family has a place they can call home. On September 9, 2003, the Mayor and City Council embraced a challenge set forth by the federal government to create a plan to eliminate chronic homelessness. The City's Ten-Year Homeless Strategy calls for programs and policies designed to be outcome driven through collaborative partnerships.

## outcome driven

Improve the  
current homeless  
assistance system  
and meet the  
special needs of  
this population

Transition  
homeless families  
and individuals  
from streets and  
shelters to  
permanent  
housing



Creating and implementing a **Homeless Ten Year Strategy** is a particularly challenging feat considering today's shrinking economy that often puts nonprofits in competition with each other for dwindling public funds and private donations. Our hope is that this model can be replicated elsewhere to improve efficiency, eliminate duplication of services, and maximize limited dollars.

## collaborative partnerships

*The HSP will collaborate  
with other public and private agencies  
to identify and access  
the right resources  
to address individual needs.*

The First Step to implementing the **Ten Year Homeless Strategy** is the collaboration of various partners. For years the San José homeless service agencies have worked independently to address the challenge of homelessness, struggling to meet the needs of families and individuals who find themselves without shelter. A key element to the success of San José's Homeless Plan involves the coordination and collaboration of all homeless service agencies. To this end, the Housing Department convened a series of meetings with key service providers to begin the process of collaboration. Three agencies, the Emergency Housing Consortium (EHC), InnVision, and Sacred Heart Community Service agreed to form a collaborative called the Housing Services Partnership (HSP) to deliver a range of services necessary to move homeless individuals and families into permanent housing.



*The City's plan focuses on four strategies to assist families and individuals who are homeless and those who are at risk of homelessness.*

*Each strategy has several action plans: some have been implemented while others are in process.*

# Steps to follow

## 1

### PREVENTION

Provide life skills training, rental and mortgage assistance, and job training

Create housing options for youth transitioning out of foster care



## 2

### RAPID RE-HOUSING

Expand the efficacy of Section 8 housing vouchers, implementing the Housing First model

Increase the supply of affordable and special needs housing

Implement housing plans designed to keep families intact

## 3

### WRAPAROUND SERVICES

Centralize and coordinate a wide variety of homeless services offered by local nonprofit agencies

Partner with the Workforce Investment Board and other agencies to link the homeless to jobs

Implement mandatory after-care for families and individuals moving from shelters to permanent housing

## 4

### PROACTIVE EFFORTS

Conduct a census to determine the size of the local homeless population and a survey to determine type of services needed

Identify and fill gaps in the homeless assistance delivery system and build new partnerships between existing shelter and service providers to address the gaps

Collaborate regionally and provide support to outreach programs designed to help the homeless navigate through the social service system and obtain mental health services

*The City of San José and its partners are committed to achieving the **Ten Year Homeless Strategy** goals.*

*State and federal support is critical to the success of this plan.*

*Through collaboration and partnerships, we will move closer to the goal of ensuring that every family and every person has a place they can call home.*